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ABSTRACT

At one time, higher education was seen as a public good that brought value to society, but today it is perceived as a personal investment in which the public has limited interest. This essay makes the point that while many people tout the benefits of education in dollar terms, it is imperative that the more important benefits be recognized, the improvements in social opportunities, civic participation, and economic and educational potential for youth. Education should not be perceived only as a public good in the eyes of the welfare recipient, the recent immigrant, or the first-generation college student. Higher education should be regarded as a public good in the eyes of the community, the for-profit sector, and Congress. Investment in access to higher education is an investment in the potential of every American. (SLD)

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What's At Stake: The Social and Economic Benefits of Higher Education

Julianne Malveaux

Research Report #2

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The College Board
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PATHWAYS to COLLEGE NETWORK

Research Report 2

JANUARY 2003

WHAT'S AT STAKE: THE SOCIAL AND ECONOMIC BENEFITS OF HIGHER EDUCATION

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In the past decade, the student aid mix of grants, scholarships, and loans has shifted so that more than half of the aid that students now receive is in the form of loans, with an increasing amount of that loan aid coming from unsubsidized loans. Indeed, according to the College Board, by 2001-02, loans had increased to constitute 54 percent of total student aid, and grants only 39 percent; 20 years ago, the proportion was nearly reversed.[1] While several factors, including strained state budgets, explain the shift in the way that higher education is funded, there has also been a subtle shift in attitudes about the ways that higher education *should* be funded. Once upon a time, higher education was seen as a public good that brought value to our society. Now, higher education is perceived as a personal investment in which the public has limited interest. Typical of this attitude is a recent *Wall Street Journal* editorial that concluded "government subsidies amount to a reverse wealth transfer in which Peter, the working stiff, is taxed to underwrite college-bound Paul and the tenured faculties living in Madison and Chapel Hill and other leafy latte towns." Of course, this editorial mischaracterizes the experience of many students who attend state universities and community colleges, often while working full- or part-time, sometimes while supporting families.

While correlation is not causation, there is an irony at work here. Is it coincidental that we have seen increasing diversity on our college campuses while mainstream support for higher education has decreased? Public support of higher education at the federal, state, and local levels motivated the development of the University of California system[2] (arguably the strongest university system in the United States) and no one has raised the subsidy issue that the *Wall Street Journal* has—even though admissions policies often lock out people of color whose tax dollars support these institutions. The City University of New York was seen, historically, as a public institution that fulfilled the higher education dreams of European immigrants, for example. However, now that African Americans and Latinos are an increasing percentage of the student body, support for this university has lost favor. Even with this being said, it is entirely possible that increased diversity and reduced support for higher education are entirely unrelated.[3] It is important to note that higher education often provides a greater dividend for people of color whose options expand greatly when they complete degree programs at all levels.[4] Further, it is relevant that there are such significant labor market shortages in high-tech areas that the Department of Labor developed the H-1-B visa program to bring immigrants here to supplement these shortages.[5] The last time our nation experienced labor market shortages in specialized areas that were seen as critical to our national development, we developed the National Defense (later renamed National Direct) Student Loan (NDSL) program to encourage students to focus on math and science as a study area. The NDSL program was also the first federal categorical student aid program.[6] What should be our contemporary response to labor shortages and a shift to a "knowledge economy"? Access to knowledge, of course.

1. *Trends in Student Aid 2002*. Washington, DC: College Board. 2002.
2. See Peter Schrag, *Paradise Lost: California's Experience, America's Future*. University of California Press, 1998.
3. In fairness, CUNY's lackluster record in regard to the education and academic success of its students came under fire for a variety of reasons, not the least of which was its open admissions policy, which, some educational policy experts suggest, is one way of ensuring diversity but is also another way of guaranteeing that substantial numbers of those admitted will not succeed. See *Open Admissions and Remedial Education at the City University of New York*, a report prepared for the Mayor's Advisory Task Force on the City University of New York in June 1999 (http://www.nyc.gov/html/cuny/html/admissions.html) and the incoming freshman profile and admissions process analysis (http://www.nyc.gov/html/cuny/pdf/freshmen.pdf). Higher education is a social and economic benefit when it is responsibly and effectively administered.
4. See Current Population Survey, a joint project of the U.S. Bureau of the Census and the U.S. Department of Labor.
5. In 2000, Congress raised the H-1-B visa cap from 65,000 to 195,000. Currently, despite rising unemployment, H-1-B visas continue to be issued and litigation surrounding the legislation is on the horizon. See http://h1b.info for more information.
6. See Robert Pernell Huff, "Re-engineering College Student Financial Aid," a Hoover Institution Essay in Public Policy. http://www-hoover.stanford.edu/publications/epp/87/d.html

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The purpose of this essay is to explore the concept of higher education as a public good and to look at that which is lost when higher education is inaccessible to certain segments of our society. Much of the points explored in this essay are matters of conjecture and opinion that, while fact-based, are not to be taken as facts themselves. Still, the points contained herein are valid and should be considered during any debate over the value of higher education.

Education and Transformation

Although the increasing concentration of wealth in the hands of a few people in this country belies the Horatio Alger-influenced notion of hard work leading to great rewards, our American mythology of upward mobility and relative social equality fuels the notion of democracy in our society. According to the myth, every hard worker can move up the social and economic ladder and improve their lives and the lives of their children. Supposedly, all it takes is tenacity, focus, and determination. To be sure, there are many minimum wage workers with these traits. Often, though, these traits are undermined by other characteristics (e.g., race, residence, income) that limit their advancement. Still, we have held out the promise of fairly accessible higher education as one of the ways that people can move up the ladder and improve their plight. The public assistance recipient, the new immigrant, and the first-generation student can all plunge into education, so we say, and transform themselves occupationally and socially.

The result of the Alger-inspired mythology is that many people flock to higher education as a panacea, as an answer, as a vehicle of transformation. Universities like Metropolitan College of New York (formerly the Audrey Cohen College) and Trinity College in Washington, D.C., cater to women who are transforming their lives from the low-wage employment to jobs with higher incomes and greater economic and social benefits with education. Many community colleges, too, have adult students as their primary population because these workers perceive their basic path to upward mobility comes through education.[7]

From the tone of the *Wall Street Journal* editorial, one might ask why those who benefit from education should not simply invest in it themselves. The answer is that they do invest: in time, in tuition payments, in opportunity costs. To the extent that education is perceived as a public good, however, and that our entire society benefits from a more educated population and workforce, there should also be public investment in education through educational grants and other subsidies.

The extent to which education provides social and economic mobility can be considered a public good. Despite a decade of economic expansion, poverty persists in the United States and in the past two years, poverty rates have risen, not fallen. Our society's poverty is not distributed equally. The overall poverty rate is 12 percent, but it is 23 percent for African Americans and 21 percent for Hispanics who may be of any race.[8] Similarly, there is significant income inequality in our country. But for all the income inequality that exists, it is clear that education is one factor that increases income. Access to education, for this reason alone, should be a critical component of any effective poverty prevention program. Indeed, the NOW Legal Defense and Education Fund had a slogan: "Equal education for girls is poverty prevention for women" which need not be gender-specific to make an equally powerful point about the populations that are more likely than others to experience poverty. Census data show 2001 income figures by race, gender, and education, both pointing out ironies and elucidating the point that more education improves income and occupational options.

Consider the ironies and the inequalities presented in the data—a Latina woman with a master's degree earns about the same as a white male high school graduate. An African American or Latino man substantially improves his earnings by receiving a bachelor's degree (which has an earnings premium of 35 percent more than a high school graduate for an African American and 70 percent for a Latino. Still, these men earn more than $10,000 less than a white man with the same education.[9] Even with inequalities, though, Census data provide unambiguous evidence that education improves income. Indeed, it is estimated that it can improve earnings by as much as a

[7]The idea that upward mobility is one that comes through education is held by many Americans, and rightly so. Census data clearly indicate that education is one near-certain way to improve one's socioeconomic status. Unfortunately, access to postsecondary education as a component of public benefits legislation is deemed unnecessary by members of Congress. The ability of welfare recipients and soon-to-be-former welfare recipients to pursue postsecondary education—be it community colleges, technical or vocational schools, or four-year colleges and universities—is neither guaranteed nor encouraged by the federal government. In the 1996 welfare reform legislation, Congress gave states the option of providing access to postsecondary education, but did not require it, even though the stated goal was to keep families off of welfare, which, by most accounts, means earning an income that can keep a family above the poverty line.

[8]See the Current Population Survey's Annual Demographic Supplement Table 1: *Age, Sex, Household Relationship, Race and Hispanic Origin–Poverty Status of People and Families by Selected Characteristics*, 2001. http://ferret.bls.census.gov/macro/032002/pov/toc.htm

[9]See Current Population Survey.

million dollars. According to the Census Bureau, synthetic work-life earnings estimates for full-time, full-year workers suggest that those without a high school diploma could earn approximately $1.0 million over a 40-year work-life. They could increase that amount by another quarter of a million dollars just by completing a bachelor's degree.[10]

Individual income also affects the nation's bottom line. If individuals with higher levels of education have increased lifetime earnings, then their effects on aspects of the economy dependent on the economic situation of individuals—such as the general tax base, unemployment insurance, and Social Security benefits—are potentially great. Further, funds spent on higher education access are often funds not spent on the provision of public benefits.

Beyond Income

Income data make the basic point that those who are educated earn more, that education narrows some of the racial economic gaps that exist in our society, and that those with higher incomes pay more taxes and build more wealth in our society. Research reveals that there are other benefits that society accrues from education, which are briefly explored below.

The Social Benefits of Higher Education

This essay has thus far focused on the economic benefits of higher education. Just as important to the debate over the necessity of higher education access, though, is the notion of education has a social benefit. Generally, higher education encourages more societal participation. People with a college education are more likely to participate in the electoral process. Further, education seems positively correlated with other forms of civic participation, including attendance and participation at public meetings, as well as running for public office. Indeed, education creates avenues for participation in a variety of areas, including those already mentioned. Americans with higher incomes work the most volunteer hours and, as is to be expected, make the most charitable contributions. The *Shape of the River: Long-Term Consequences of Using Race in College Admissions*, the 1999 book by former Ivy League presidents William Bowen and Derek Bok systematically deconstructs the benefits of collegiate-level affirmative action with data on more than 45,000 elite college students from the 1970s through the 1990s. The data is poignant and can be used as a foundation for the argument for not only affirmative action but for the whole of higher education as well precisely because it addresses the lives of black elite college graduates during college *and* after, focusing on their success relative to white students, subsequent success in their careers, and their subsequent involvement and community and civic life.

In addition, higher education tends to lead to more parental involvement in K–12 education. Parental involvement has been measured as one of the factors in K–12 success for students, and data show that more educated parents are more likely to be involved in the schools. Indeed, according to Richard Rothstein, then of the Economic Policy Institute, the socioeconomic status of parents (education level and income) is more of a predictor of potential parental involvement than is type of school attended by the child (private, public, or parochial).[11] Further, parents who are more involved in the education of their children are likely to have more academically successful children, according to the landmark 1994 study by the U.S. Department of Education Strong Families, Strong Schools. The report, based on 30 years of data collection and research, strongly suggested that parental involvement is key to the success of children.[12] This, coupled with the information from Rothstein, clearly makes the case for education as a social benefit, insofar as the education of our youth should be of paramount social importance.

The bottom line is that access to education provides our nation with both social and economic benefits. One can argue that, especially for those at the bottom, access to education provides a social glue and reinforces a societally palatable myth that education is the most effective path to economic stability. While many may view education as a means to an end (the end being a higher income than one would receive without a college degree), the benefits of the means are not limited to the end. With education comes income, as data have repeatedly and categorically shown. But in the United States, the presence of wealth and income tends to be accompanied, as has been shown in this paper, by increased civic participation, social participation, parental involvement in schooling, and the like. Additionally, the personal economic benefit of a higher income notwithstanding, the nation as a whole benefits economically from higher incomes of its citizens when those educated individuals receive higher incomes and pay a higher percentage of their income in taxes.

[10] *The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings*. U.S. Census Bureau. July 2002.
[11] See the Association of School Administrators online newsletter, The School Administrator Web Edition (May 2000) for Rothstein's article entitled "The Behavior of Public and Private Schools." http://www.aasa.org/publications/sa/2000_05/rothstein.htm
[12] Components of the Strong Families, Strong Schools report can be found at http://eric-web.tc.columbia.edu/families/strong/.

While many people tout the benefits of education in dollar terms, it is imperative that we recognize that while the dollar is important, quite possibly more important than the dollar are the improvements in social opportunities, civic participation, and economic and educational potential of our youth that accompany it. Precisely because of the numerous positives resulting from access to higher education, it should not be perceived as a public good only in the eyes of the welfare recipient, the recent immigrant, or the first-generation college student while the trust fund child, the CEO, and the blueblood wring their hands over the fact that their tax dollars support stellar public institutions like the University of Wisconsin and the University of Chapel Hill. Rather, higher education should be perceived as a public good in the eyes of the community, the for-profit sector and Congress and, as such, should be the foundation on which we base our support of public colleges and universities. Investment in access to higher education is an investment in the potential of every single American and, to be sure, the nation as a whole.

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